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ABSTRACT

Student financial aid is examined with focus on the disparity of the partnership between students, colleges, the federal government, and the College Board. Changes resulting from the implementation of the Basic Educational Opportunity Grant (BEOG) Program in 1972 are surveyed. The resulting financial aid system (with the exception of highly skilled athletes and graduate students at a few institutions) is mostly need-based and federally dominated. The politicization of the need analysis system is explored, and the intrinsically arbitrary nature of determining need is considered. Four problems concerning the involvement of the College Scholarship Service in the financial aid arena are identified, including the need for increased interest by college and university presidents in the subject. The ramifications of House Resolution 5192, which would enhance the role of the federal government in financial aid administration and provide substantial increases in the BEOG and campus-based programs, are discussed. It is proposed that a group be formed from the higher education community to consult with the Secretary of Education, as called for in H.R. 5192, and for other purposes. The need for self-regulation in the higher education community is stressed as a stand against increased federal regulation. (PHR)

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STUDENT FINANCIAL AID GOVERNANCE: SOME ELEVENTH HOUR THOUGHTS ABOUT "THE PARTNERSHIP"

Prepared for the
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STUDENT FINANCIAL AID GOVERNANCE--
THE ELEVENTH HOUR FOR THE PARTNERSHIP

Since I first started to get acquainted with the national perspective on student financial aid, having labored for years in a small college suffering under the illusion that I knew all that was important to know about the subject, I keep hearing about the financial aid partnership. Since the term partnership implies a notion of a joint venture of two or more parties, I have to say that I have not yet found it. Perhaps this failure of perception rests in some naive assumption about the equality of the partners. But, of course, in business ventures some partners are often more equal than others and we have managing partners and non-participating partners.

As I have thought about it, I conclude that the term partnership as applied to financial aid is a code word for some other desiderata, depending on where you sit. For state and institutional financial aid people, it usually means that we have to bell the Federal cat and figure out how to keep the Feds from taking over the entire system. To our gracious hosts, the College Board, operating usually in this area through a wholly-owned subsidiary called the College Scholarship Service, it may mean the fear of becoming merely a Federal contractor unless there are more mechanisms for counterbalancing increased Federal domination. For the Feds, the term partnership may mean that they would like a lot more vigor and commitment on the part of institutions in accounting for funds, collecting loans, and meeting the ever-growing phalanx of student aid regulatory requirements to prevent something called "fraud and abuse."

There may once have been a halcyon period of partnership when the parties of interest truly cooperated in matters of policy affecting student aid. Certainly there was a period in which the College Scholarship Service was much more pre-eminent in need analysis and all that surrounds that term than was the Federal Government. But that was before the Basic Educational Opportunity Grant Program was legislated into law in 1972, and before the College Scholarship Service felt constrained to begin tinkering with the need analysis system in the early 70's. When the Feds entered the picture in a more major way, with a direct as opposed to a campus-based program in 1972, and when it became apparent that the needs analysis could be used as a rationing system and, indeed, could be manipulated so as to generate increased demand for Federal funds, the system inevitably became much more Federalized.

We now have a financial aid system in this nation which is, except for highly-skilled athletes and graduate students in a few institutions and other not very significant exceptions, mostly need-based and Federally-dominated. Need-based financial aid now pays one-third of the bills of all undergraduate college students and about 80% or $8.5 billion of the total of this aid comes from the Federal government in the form of grants, loans, work-study, Social Security payments and Veterans' Administration payments with the latter two being entitlements rather than need-based. This represents a vast increase in dollars, and a much larger Federal percentage of the total activity, than was true prior to the Education Amendments of 1972, except for the post-World War II period when the G. I. Bill was in full bloom.

The Federal bureaucracy long has been involved in the needs analysis system but more recently and very dramatically with the passage of the Middle Income Student Assistance Act a year ago, the Congress has taken a more direct role in family contributions schedules, assessment rates on discretionary income and the like. Should H. R. 5192 pass in its present form, there will be a single needs analysis system for all Federal programs and a single form, fully paid for by the Federal government. The sands of time may have run out on the College Scholarship Service and the uniform methodology.

Ironically, the final nail in the old partnership coffin may well have been the stubborn denial on the part of the financial aid community that there was a "middle-income crunch." The Congress believed otherwise, and thus we already have in the Basic Grant Program, and may soon have for the campus-based programs, much more liberal parameters for independent and commuting students, home equity allowance, and other elements of family contribution schedules than those set forth by industry representatives through the uniform methodology. The elected representatives simply believe there is a lot more need out there than the financial aid community has been willing (or able) to acknowledge. Not even in the military is there a parallel situation where the Congress wants to do more than the major interest groups in the field is asking it to do.

I alluded earlier to politicization of the needs analysis system when its potential as a rationing device became apparent. That requires some further explanation. Any system which purports to determine the ability of families to contribute to their children's education is necessarily subjective and highly arbitrary. Yet I think the financial aid community has at times treated the parameters of the system

as though they were either divinely revealed or scientifically determined. They are neither, but they are terribly important to institutions which have heretofore been committed to meet all of the computed need of all of their students, and terribly important to the Federal government particularly since the establishment of the BEOG program which increasingly has been seen as an entitlement program. Thus, definitions of need at least call for, if not actually require, the appropriation of more Federal funds.

There was a time when the higher education industry in the form of the financial aid community operating through CSS was in the saddle and the Feds were understandably resentful about the manipulation of the parameters which had the result, perhaps intended or perhaps not, of calling for ever-larger Federal appropriations. Now that the Federal government is clearly in charge, the industry is protesting the absence of partnership and understandably so, since the Federal government does not meet all need as defined by the uniform methodology--only about half of it--excessively liberal Federal needs analysis parameters can generate demand for more institutional aid to fund the remaining unmet need. Thus the shoe will be shifted completely to the other foot.

Is the College Scholarship Service going to be reduced to a government contractor/forms processor, and are the financial aid officers doomed to passively receiving the annual wisdom of the Federal government when it comes to needs analysis--or reduced to the unbecoming battle of the "great form war" as Art Marmaduke refers to the hassle over the single form? I think the prognosis for the partnership need not be so bleak, but it requires a little risk-taking and a little candor all along the line:

1. It should be acknowledged that the College Scholarship Service is no longer the vehicle for expressing the higher education community's interest in needs analysis. CSS and ACT have served the institutions of higher education and the students well, but the community of interest in the subject now extends to a much wider audience.
2. Perhaps my most important point and with all due respect to to my financial aid officer friends is that financial aid has become too important a subject to leave to the financial aid officers. The Federal government has asserted its interest, and it is long overdue for the college and university presidents and budget officers to take a much more active interest in this subject.

Since coming to Washington, I have been appalled at the disinterest and ignorance of the basic issues in financial aid which have been manifest by the college presidents. We at ACE, together with NACUBO and NASFAA, are making some modest efforts to sensitize presidents to the importance of the topic. The next step will be their informed participation. That effort must be accelerated and broadened, and I believe one of the ways of achieving this is to put some of the locus of responsibility for the needs analysis systems in the presidential court. More on that later.

3. Part of the increased presidential leadership could be expressed through more support for financial aid administration at the campus level. We have heard far too many stories for far too long about how the financial aid officers are at the bottom of the

administrative pecking order on too many campuses despite the fact that they generally handle more money than anyone but the business officers--even more than the athletic director. Moreover, staffing is generally not adequate to the job and certainly not adequate for the mountains of paper which must be processed. A little understood dimension of the work of a campus financial aid officer is that of counselor. Understaffed financial aid offices cannot do as good a job today as they did five or ten years ago, even if the number of aided students has remained the same. Moreover, we have here a crisis of confidence in which the dominant partner, the Federal government, knows what I have just said and lacks confidence in the institution and its leadership really to do something about the problem.

4. We must candidly acknowledge that the Federal government is the dominant partner in dollar terms --and thus must call many of the shots. If we in the industry have used needs analysis systems as rationing devices, then we hardly can be critical of the Congress for doing the same thing when it is Federal dollars which are most at risk. Decisions about the demand for Federal funds and the appropriations to meet that demand are political decisions and they are made and should be made by the elected representatives. I happen to hold to the view that we continually should strive to depoliticize the concept of need and the definition of the parameters which determine need; and, further, that we should then try to separate need from the question of how need is met. As late as last summer,

I earnestly believed that it was possible to make that distinction and keep the Feds out of defining need. But that simply does not reckon either with the subjectivity of needs definitions or with the fundamental disagreement over need which lay at the heart of the Middle Income Student Assistance Act.

We are, I submit, no longer well-advised to talk about the partnership and no longer well-advised to pretend that the need and the systems to meet need are mutually exclusive categories--although I believe we should continually strive to perfect the objectivity of the measurement systems--but we can usefully pursue the question of consultative mechanisms. We are best able to deal with the Federal government if we have our act together as a higher education community and we need to do more together than simply deal with the Federal government. For example, institutionally-funded aid will continue to be important, particularly though not exclusively for the independent sector, and the dollar volume of unmet need to be addressed by institutional aid will now be profoundly affected by Federal needs analysis systems unless we persist in having a separate method measuring need for institutionally-funded aid.

If we acknowledge the four problems I've tried to identify, and begin to act upon them, then and only then can we begin to build the kind of partnership structures that will have acceptability, credibility and relevance for the future. At this point I must acknowledge my great debt to a number of people with whom I have been engaged in thinking about these matters in recent months. Through the initiative of Frank Keppel and Bill Van Dusen, a fair number of us got together last summer for two days and the previous summer for a longer period in the beauties of the Aspensto think about these things. Our most recent Aspen session

was an effort to see if we could arrive at a structure in which the Feds will be one of the partners for approaching the important questions in financial aid governance. We did not succeed because Mr. Clohan's distinguished colleague, Tom Wolanin, and a very much-missed and I believe very distinguished public servant, Leo Kornfeld, took the view that the predominance of Federal dollars simply required a pre-eminent Federal role. Some of those in attendance, perhaps buoyed or depressed depending on your point of view--by the anti-Federalism of Proposition 13 and other developments had naively hoped for a different kind of outcome.

A few of us regrouped a month or so ago in New York and reviewed our efforts against the backdrop of H. R. 5192 which is likely, with certain significant changes in the Senate, to become the major piece of higher education legislation for the next five years. That bill would, as I mentioned earlier, enhance the Federal role in financial aid administration, not to mention providing substantial increases in the BEOG and campus-based programs. I have to pause long enough to acknowledge with gratitude the leadership of Representatives Ford and Buchanan in drafting, with the aid of Mr. Wolanin and Mr. Clohan and their colleagues, a piece of legislation which will serve the colleges and universities and their students very well indeed. It is a remarkable piece of legislation and those responsible for it deserve our gratitude. Although the legislation reinforces the preeminence of the Federal government in aid administration, it specifically provides for the Secretary of Education to consult with the representatives of higher education on the myriad of questions involved.

Now the Secretary can, of course, consult with whomever he or she

wishes and will doubtless find it necessary to consult with many individuals and groups. The higher education community can either consult in the form of individual groups and associations or it can try to get itself together in the form of a yet-to-be born mechanism which would earn the respect of the Secretary. Some of us have been trying to structure just such a mechanism. Its purposes would include but go beyond consultation with the Secretary as called for in H. R. 5192, and its membership would include but go beyond the financial aid community to include college presidents, students and others. It would be more formally structured than the present Student Aid Coalition and would presumably be staffed. Some initial funding might be sought from foundations but it is the hope of those who are thinking about this idea that the major associations involved would support it from their own resources in the long-term future. We are not quite ready formally to unveil this notion, so what I have just said might not inaccurately be construed as a trial balloon to which we would appreciate your reactions.

I would like to put all of this in the context of a concept known as self-regulation. I tend to associate the concept with a speech given several years ago by Roger Heyns, but authorship might be claimed by others. The notion simply is that rather than continually complaining about excessive Federal regulation, the higher education world should set up self-regulatory mechanisms which would make it unnecessary, if not politically impossible, for the Federal government to regulate. It seems like a simple concept and I find that as a concept it has some of the consensus-building qualities of motherhood. But when it comes right down to it, the real question is whether colleges and universities prefer to put the time and effort into

self-regulatory mechanisms or whether they would prefer simply to let the Federal government (not to mention the increasingly important role of State governments) increasingly dominate our lives.

The list of possible topics for self-regulation in the area of financial aid is long. The contratemps over the tuition refund policy this year illustrates that the higher education community can at least make a concerted effort to avoid Federal regulation. I have mentioned the needs analysis systems and the necessity for unremitting pressure on chief executive officers of colleges and universities to provide adequate funding for overworked financial aid offices. Student expense budgets are crying for attention and I would far rather have that attention come from within the community rather than from HEW auditors or the Genral Accounting Office. I want to state that I believe that those of us who are struggling for a new mechanism have great respect for such groups as the Coalition and the College Scholarship Service. But I for one simply believe that it is a new ballgame and the old structures, satisfactory as they were for another era, are not sufficient for the future and thus what I have said should not be interpreted as an effort to keep business as usual. I would hope that those of us in institutions, state agencies, and the higher education associations could seize the initiative in the full range of student aid governance issues rather than simply reacting to proposed Federal regulations.

We are at the eleventh hour in the case of financial aid governance, and in many respects we are simply talking about the kind of consultation mechanism we will be putting together to talk with the lord of the manor. But even that is important and I think much more than that is at stake when one considers the myriad of governance and credibility issues which will concern this vast multi-billion enterprise called student

financial aid in the years ahead.

Those of us working on some of these notions would appreciate your thoughts and your participation.